

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20278-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –  
USPS CONNECT LOCAL MAIL

Docket No. MT2022-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(December 8, 2021)

The Postal Service hereby responds to Chairman's Information Request No. 1, issued on November 29, 2021. Each question is stated verbatim and is followed by the response.

Respectfully submitted,  
UNITED STATES POSTAL SERVICE

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December 8, 2021

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1. The Postal Service states "from the viewpoint of mail user, USPS Connect Local Mail is significantly different from all products offered by the Postal Service within the last two years." Notice at 3. It notes that no other expedited First-Class Mail product for local mailers is available and none offer free packaging or tracking.  
*Id.* at 3-4.
  - a. Please explain which Postal Service product(s) are most similar to USPS Connect Local Mail.
  - b. Please explain the mail processing activities for USPS Connect Local Mail and how those mail processing activities differ from the similar Postal Service product(s) indicated in question 1.a.
  - c. Please explain the mailing requirements for USPS Connect Local Mail and how those mailing requirements differ from the similar Postal Service product(s) indicated in question 1.a.
  - d. If applicable, please explain any additional key features of USPS Connect Local Mail that differ from the key feature of the similar Postal Service product(s) indicated in question 1.a.

**RESPONSE:**

- a. No other expedited First-Class Mail product for local mailers is available and no First-Class Mail product offers free packaging or tracking. No other market-dominant product offers same day delivery and no other market-dominant product is required to be deposited at the site that also serves as the delivery unit. On the competitive side, Priority Mail and Priority Mail Express are the most similar products to USPS Connect Local Mail since they both offer tracking in addition to relatively quick delivery when mailed locally.
- b. USPS Connect Local Mail will be handled entirely at the delivery facility using manual processing (i.e., acceptance, distribution to the carrier, and finally delivery by the carrier on the same day or next day.) Mail processing for USPS Connect Local Mail will differ from Priority Mail Express and Priority Mail because

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it will not travel on USPS transportation between facilities, will not require any air transportation, and will not receive automated processing.

- c. The USPS Connect Local Mailer must print a mailing label for the mail piece on the postal Click-N-Ship application after agreeing to service terms and conditions online. The mailer must pay for the service on Click-N-Ship and will either have the mail carrier pick up the mail piece when the carrier stops by the mailer location or the mailer can bring the piece down to the Postal Service to have the piece delivered. In addition, the contents of USPS Connect Local Mail will be First-Class Mail (First-Class Mail is required for personal correspondence, handwritten or typewritten material, and bills or statements of account.) The product is, however, limited to paper-based documents. Lightweight merchandise is not allowed in USPS Connect Local Mail and contents must weigh under 13 ounces.

Priority Mail and Priority Mail Express do not require agreement to terms and condition. A mailer can send a document using Priority Mail or Priority Mail Express without using Click-N-Ship or an API. The mailer could bring the document to the Post Office and have the document sent anywhere without restrictions on entry and destination. There are no paper-based content restrictions for Priority Mail or Priority Mail Express and weight is not restricted to under 13 ounces.

As for Priority Mail Express and Priority Mail, all mailable matter may be sent as Priority Mail, except matter prohibited by standards (e.g., certain hazardous materials).

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- d. Besides price, the key feature that separates USPS Connect Local Mail from Priority Mail and Priority Mail Express is that USPS Connect Local Mail must be entered at the same location as the destination for it to be delivered the same-day or next-day. Priority Mail and Priority Mail Express can be sent across the country and have delivery standards associated with ZIP Code pairs. In addition, since USPS Connect Local Mail is deposited at the site that serves as the delivery, if deposited between 5 a.m. – 7 a.m. at the correct site, the mail will be delivered the same day. USPS Connect Local Mail is not guaranteed, non-refundable, allows no extra services, and no Pick Up on Demand or Hold for Pick Up.

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2. Section 3641(b)(2) requires that “[t]he introduction or continued offering of the [USPS Connect Local Mail experimental] product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns....” See 39 U.S.C. § 3641(b)(2). The Postal Service states that USPS Connect Mail will not create any unfair or otherwise inappropriate competitive advantage for the Postal Service or any mail. Notice at 4. It further notes that the product is designed to increase small business access to the postal network. *Id.*
- a. For the purposes of compliance with 39 U.S.C. § 3641(b)(2), please confirm that the relevant market for the USPS Connect Local Mail market test is the expedited letter mail service, with local induction and local delivery, offered nationwide.
  - b. If question 2.a. is not confirmed, please explain.
  - c. The Commission has previously found that notices of market tests should include “[e]xamples of businesses that offer similar products or services” and “[t]he range of prices these businesses charge for similar products and services.” Please identify businesses that offer similar products or services in the relevant market as USPS Connect Local Mail.
  - d. For each business identified in response to question 2.c., please identify the price range that each business charges for the services similar to USPS Connect Local Mail.
  - e. For each business identified in response to question 2.c., please explain whether USPS Connect Local Mail will create an unfair advantage or inappropriate advantage for the Postal Service in relation to the business identified.
  - f. Please describe the impact of the market test on small business concerns. In this proceeding, “small business concern” means Courier and Express Delivery Services and Local Messengers and Local Delivery companies that meet the following criteria:
    - i. Are for-profit business entities that are independently owned and operated;
    - ii. Are not dominant in their field of operation;
    - iii. Have a place of business located within the United States;
    - iv. Operate primarily within the United States or make a significant contribution to the United States by paying taxes or using American products, materials, or labor; and

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- v. Have 1,500 or fewer employees (Courier and Express Delivery Services) or has annual receipts of \$30 million or less (Local Messengers and Local Delivery).

### **RESPONSE:**

- a. Confirmed. However, even though Connect Local Mail will be offered nationally, not every Post Office location will have the capability to accept and deliver USPS Connect Local Mail, given the unique entry requirements. In addition, the service will be phased in over time across delivery units following initiation of the test.
- b. Not applicable.
- c. Courier services offer a similar service to the same-day version of USPS Connect Local for same-day delivery. UPS and Fed-Ex also advertise same-day delivery services. UPS and Fed-Ex also offer next day or 2-day delivery.
- d. Some local couriers charge by the mile for cars or bicycles, especially for longer deliveries. Charging by the hour also has ranges. The Postal Service does not have access to precise pricing information from specific couriers, although some general information is available online.<sup>1</sup> Fed-Ex and UPS mention same-day delivery on their websites but do not specify prices. FedEx and UPS also advertise next day or 2-day delivery for envelopes on their websites for approximately \$23.20 (UPS) or \$29.55 (FedEx) and up depending on service selected.
- e. USPS Connect Local Mail will not create an unfair advantage over courier service because they typically build in pick-up on demand services which differentiates their product from USPS Connect Local Mail and justifies the higher

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<sup>1</sup> See, e.g., Wallin, Craig, "How Much Should You Charge for Courier Services?", accessed at <<https://www.profitsonwheels.com/how-much-should-you-charge-for-courier-services/>>.

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price. Fed-Ex and UPS have the similar enough ground transportation facilities and locations so that there is no reason USPS Connect Local Mail would have an unfair advantage.

Furthermore, the comparison is not straightforward, as USPS Connect Local Mail offers limited scanning options (i.e., acceptance and delivery scans only) and is not eligible for additional services such as insurance or signature confirmation.

- f. Because of the differences identified above, USPS Connect Local Mail will not directly compete with these firms. These companies tend to be much more specialized and offer conveniences (e.g., on-demand pick up, guarantees) that USPS Connect Local Mail will not offer.

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3. The Postal Service states that USPS Connect Local Mail is properly categorized as market-dominant and falls within its monopoly over letter delivery. Notice at 4. Please confirm that, pursuant to 39 U.S.C. § 3642(b)(1), USPS Connect Local is a product that the Postal Service “exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise price significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” See 39 U.S.C. § 3642(b)(1). If not confirmed, please explain.

**RESPONSE:**

Not confirmed. USPS Connect Local Mail has been proposed as market-dominant because of subsection (b)(2) of section 3642 rather than subsection (b)(1). However, should the Commission find that subsection (b)(2) does not preclude competitive classification, the Postal Service would welcome competitive status.



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4. Please consider the following hypothetical. Assume a First-Class Mail letter, a First-Class Mail flat, a USPS Connect Local Mail envelope, a Priority Mail envelope, and a Priority Mail Express envelope are induced into the mailstream at the same Destination Delivery Unit (DDU), at the same time, and before the Critical Entry Time set for USPS Connect Local Mail. Also assume these mailpieces are all destined to the same local address within the same delivery unit from which they were sent. For each mailpiece, please indicate whether delivery would be made the same day, the next day, or later.

### **RESPONSE:**

USPS Connect Local Mail will remain at the delivery unit to be handed to the carrier to delivered the same day or next day. The other products are dispatched at the end of the day to the plant for processing and then returned to the station for delivery. The delivery timeline for each mailpiece would be as follows:

- First-Class letter: Next day or later;
- First-Class flat: Next day or later;
- USPS Connect Local Mail envelope: Same day (if before CET);
- Priority Mail envelope: Next day or later; and
- Priority Mail Express envelope: Next day or later.

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5. Please confirm that for flat-shaped pieces above 9 ounces, the price for First-Class Mail Flats exceeds that of USPS Connect Local Mail. If confirmed, please explain the rationale for setting the price of a product with premium features below that of a similar product without premium features. If not confirmed, please explain.

**RESPONSE:**

Confirmed. It is the business judgment of Postal Service leadership that a simple and affordable flat rate price will best attract the target market. Offering the product at a flat rate inevitably results in not aligning perfectly with all price cells in non-flat rate products. It is also relevant that First-Class Mail Flats are priced for delivery nationwide. In addition, market tests are designed for experimentation, and the data collected in this test will eventually inform permanent pricing.